

## **2017-2018 BUDGET QUESTION**

### ***Response to Request for Information***

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**DEPARTMENT:** Economic Development

**REQUEST NO.:** 153

**REQUESTED BY:** Troxclair

**DATE REQUESTED:** 9/5/17

**DATE POSTED:** 9/8/17

**REQUEST:** What are the requirements of the HUD Section 108 Family Business Loan Program?

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#### **RESPONSE:**

The Housing and Urban Development Section 108 Family Business Loan Program (FBLP) Fund creates jobs and revitalizes communities by providing low-interest loans to qualified Austin small business owners that are ready to expand and create jobs for low- and moderate-income citizens living in the City of Austin. FBLP works as a public-private partnership with local lenders to invest directly into Austin's thriving small business community in exchange for commitments for the creation or retention of jobs for Austin's underserved working class residents.

Family Business Loan Program application decisions are based on the criteria approved by the Housing and Urban Development Department (HUD), consistent with HUD 24 Code for Federal Regulation (CFR) 570.209, and subsequently accepted and approved by Council resolution 20120524-15. Please note that these guidelines are also consistent with lending expectations of our existing non-profit and private lending partners (10) that have either co-financed or referred business loans with FBLP in the past.

#### **HUD Eligibility - National Objective**

The project must create at least one new job for every \$35,000 borrowed and be located in a low-to-moderate income census tract (poverty rate of 20% or higher), or 51% of the new jobs created must be made available to low-to-moderate income persons; the applicant's business must have been in operation for at least 2 years (6 months or more for the Micro-Loan Program which has a maximum loan amount of \$35,000.00 available to early stage businesses that demonstrate repayment ability) and meet the SBA's definition of a small business, as described outlined below; the applicant must demonstrate ability to repay the loan; and the applicant must have a credit score acceptable to both FBLP and partner lender and be able to secure the loan through collateral and/or personal guarantees. The Council approved criteria has been attached for your convenience.

#### **Small Business Administration – Small Business Definition**

FBLP adheres to the Small Business Administration (SBA) small business definition. The SBA, defines a "small business" either in terms of the average number of employees over the past 12 months, or average annual receipts over the past three years. In addition, SBA defines a U.S. small business as a concern that:

- Is organized for profit.
- Has a place of business in the US.

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- Operates primarily within the U.S. or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor.
- Is independently owned and operated.

Is not dominant in its field on a national basis.

The business may be a sole proprietorship (micro-loans applicant only), Partnership, Corporation, Limited Liability Company or any other legal form registered with the State of Texas. In determining what constitutes a small business, the definition will vary to reflect industry differences, such as size standards”.

The following link provides a table of the size standards for specific industries.

<https://www.sba.gov/content/summary-size-standards-industry-sector>

#### **Eligible Uses**

- Working capital for labor and moving costs associated with the expansion or relocation of a project, inventory financing, and receivable financing, training and marketing financing. Working capital expenses will only be considered in conjunction with the total project and it will not be financed independently.
- Renovation and new construction of commercial/industrial buildings.
- Acquisition of commercial/industrial land and buildings.
- Acquisition and installation of machinery and equipment.
- Refinancing of existing debt to an independent institutional lender (as part of a new project creating new job opportunities.)
- Funds cannot be used to reimburse for costs incurred prior to the City of Austin completing a HUD Environmental Review, except for planning costs of the project.